

Message Text

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ACTION MC-02

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FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 4837

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

C O N F I D E N T I A L PRETORIA 2993

E.O. 11652: GDS

TAGS: MILI, SF

SUBJ: ARMS EMBARGO - SALE OF TELEDYNE ENGINES TO SOUTH AFRICA

REF: STATE 146165 AND PREVIOUS

1. GENERAL COMPONENTS HAS INFORMED US THAT METPRO AND VETSAK NOW WANT TO PRODUCE SWITCH ENGINES AND OFF-ROAD TRUCKS (PRETORIA 2832) AS WELL AS TRACTORS. TRACTORS WOULD BE PRODUCED AT BOTHAVILLE AND TRUCKS AND SWITCH ENGINES AT METPRO'S ROSSLYN PLANT NEAR PRETORIA. INITIAL PLAN IS TO PRODUCE APPROXIMATELY 100 TRACTORS, 150 SWITCH ENGINES, AND 50 TRUCKS. ALL WOULD USE THE HYDROSTATIC PRINCIPLE DESCRIBED 75 PRETORIA 4658. METPRO SAYS THAT THE GREAT ADVANTAGE OF THIS PRINCIPLE FOR SOUTH AFRICA IS THE SIMPLICITY OF OPERATION AND MAINTENANCE, ESSENTIAL IN A COUNTRY LACKING SKILLED OPERATORS.

2. METPRO'S PRODUCTION PLAN FOR ALL THREE VEHICLES COMBINED IS 10 IN SEPTEMBER, 20 IN OCTOBER, 30 IN NOVEMBER, 4 IN DECEMBER, 10 IN JANUARY 1977, 30 EACH OF THE FOLLOWING SEVEN MONTHS, AND THE BALANCE IN SEPTEMBER, 1977.

3. ASSUMING AN AVERAGE OF FOUR MONTHS BETWEEN THE DATE

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OF LICENSING AND THE DATE OF DELIVERY IN BOTHAVILLE OR

ROSSLYN (WHICH IS THE EXPERIENCE SO FAR), THE SCHEDULE IN STATE 146165 WOULD SEEM TO MEET METPRO'S AND VETSAK'S REASONABLE REQUIREMENTS AND TO MATCH THEIR PRODUCTION PLANS WELL, WHILE ALLOWING FOR A SUBSTANTIAL STOCK OF ENGINES AT THE START OF PRODUCTION. WE HAVE MATCHED UP THE PROPOSED PRODUCTION WITH THE PROPOSED LICENSING AND CALCULATE THAT SOME 90 ENGINES WOULD BE IN STOCK, NOT YET INSTALLED IN VEHICLES, IN THE VERY EARLY STAGES OF PRODUCTION. ENGINES IN STOCK WOULD THEN FALL TO 40 TO 60 AT ANY ONE TIME FROM LATE 1976 TO AROUND APRIL 1977, AFTER WHICH STOCK WOULD GRADUALLY FALL TO ZERO IN SEPTEMBER, 1977. THIS OF COURSE DEPENDS UPON PRODUCTION BEING MAINTAINED AT THE PLANNED LEVEL. IF PRODUCTION FELL BEHIND OR EXCEEDED PLAN OR IF PRODUCTION OF MORE THAN 300 WERE DESIRED (WHICH SEEMS LIKELY), THEN LICENSING SCHEDULE COULD BE AMENDED ACCORDINGLY. WE WOULD OF COURSE MONITOR PRODUCTION.

4. WE RECOMMEND THAT LICENSING SCHEDULE IN STATE 146165 BE FOLLOWED, SUBJECT TO EMBASSY'S VERIFICATION THAT PRODUCTION IS PROGRESSING AT LEAST AS FAST AS PLAN DESCRIBED PARA TWO ABOVE.

5. METPRO HAS EXPRESSED TO US THEIR EXTREME CONCERN THAT AVAILABILITY OF ENGINES IS DEPENDENT ON "POLICY FLUCTUATIONS" AND "POLITICAL EMBARGOES". THEY CONTEND THAT THE EXPENSE OF SETTING UP PRODUCTION LINES IS NOT JUSTIFIED UNLESS THEY CAN HAVE ABSOLUTE ASSURANCE THAT THEY WILL RECEIVE AT LEAST 120 ENGINES BEYOND THOSE ALREADY LICENSED (FOR A TOTAL OF 223). THE ONLY ASSURANCE THAT WOULD BE COMPLETELY SATISFACTORY TO THEM IS IMMEDIATE LICENSING AND SHIPMENT OF AN ADDITIONAL 120 ENGINES. WE HAVE TOLD THEM THAT THIS IS NOT POSSIBLE BUT THEY HAVE NEVERTHELESS ASKED GENERAL COMPONENTS TO ASK TELEDYNE TO APPLY TO A LICENSE ON THIS BASIS. METPRO CONTENDS THAT IF THE 120 ENGINES ARE NOT LICENSED IMMEDIATELY METPRO WILL HAVE "TO REVISE THE MATTER ENTIRELY OR EVEN TO CANCEL THE ORDER FOR THE BALANCE OF THE ENGINES." METPRO CLAIMS THAT ANY OR ALL OF THE THREE VEHICLES CAN BE DESIGNED AROUND ANOTHER ENGINE.

6. WE FIND IT DIFFICULT TO JUDGE THE SERIOUSNESS OF
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THE THREAT TO CANCEL THE BALANCE OF THE ORDER BUT IN ANY CASE WE WOULD NOT RECOMMEND ISSUING FURTHER LICENSES EXCEPT IN ACCORDANCE WITH THE SCHEDULE IN STATE 146165. THAT SCHEDULE WOULD MORE THAN MEET METPRO'S AND VETSAK'S NEED FOR AN AMPLE STOCK TO MEET THEIR PRODUCTION PLANS. WE DO, HOWEVER, SUGGEST THAT THE NEXT LICENSE SPELL OUT THE LICENSING SCHEDULE, AS WELL AS THE PRODUCTION PLAN AND THE CONDITION THAT LICENSES WILL BE ISSUED FASTER OR SLOWER DEPENDING ON THE COURSE OF

ACTUAL PRODUCTION.

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